OLR Bill Analysis

sSB 1157

AN ACT CONCERNING THE RESTORATION OF THE ENERGY CONSERVATION AND LOAD MANAGEMENT FUND.

SUMMARY:

This bill requires any estimated FY 11 General Fund surplus to be applied to offset a scheduled diversion of revenue from energy conservation programs to back economic recovery revenue bonds (ERRBs) authorized in 2010 to provide revenue to the General Fund. By law, the energy programs are funded by a conservation charge on electric bills. Revenue from the charge goes to the Energy Conservation and Load Management Fund.

Current law already requires any unappropriated FY 10 General Fund surplus to be used to reduce the amount of ERRBs issued. The bill requires that amount to be further reduced by the estimated General Fund surplus for FY 11 shown in the comptroller's May 2011 statement. If the estimated surplus is at least $166.6 million, the conservation charge diversion must be entirely offset. If it is less, the diversion must be proportionately reduced.

The bill also:

1. repeals a provision making the ERRBs partially payable from conservation charge revenue;

2. allows the financing authority (the state treasurer) to structure ERRB terms according to the Department of Public Utility Control's (DPUC) financing order for the bonds, the law, and the bill's provisions, without further DPUC proceedings (see COMMENT);

3. specifies that the bondholders' right to the "transition property" (i.e., the right to receive the revenue from the charges backing

the bonds) is enforceable even if a court modifies, vacates or invalidates the financing order; and

4. makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

ECONOMIC RECOVERY TRANSFER AND REVENUE BONDS

In 2010, the General Assembly authorized the state to issue ERRBs to provide $956 million in revenue for transfer to the state General Fund (the "economic recovery transfer") and to pay the bond financing costs. Under current law, the bonds are payable from revenue generated by (1) extending a per-kilowatt-hour surcharge (the competitive transition assessment or CTA) on electric bills beyond the dates at which it would otherwise have expired and (2) diverting 35% of the revenue from a conservation charge that would otherwise go to the Energy Conservation and Load Management Fund. The fund subsidizes the costs of energy conservation and energy efficiency measures.

The bill requires the amount of the projected FY 11 General Fund surplus, as indicated in the comptroller's May 2011 statement, to be applied to reduce the economic recovery transfer and, thus, the total amount of ERRB proceeds needed to fund it. The resulting savings must be used to offset some or all of the 35% revenue diversion from the conservation charge.

Under the bill, if the projected surplus is at least $166.6 million, the conservation charge diversion must be entirely offset. If the projected surplus is less than that target, the 35% contribution from the conservation charge must be reduced by the same ratio as the projected surplus amount is to $166.6 million. The financing authority must calculate the ratio.

In addition, if the estimated FY 11 surplus exceeds $166.6 million, it could, depending on the excess, reduce the required ERRBs enough to shorten the duration of the CTA.

COMPTROLLER'S MAY 2011 FINANCIAL STATEMENT

By law, the comptroller must issue a cumulative monthly statement of the financial position of the state General Fund that includes estimates of revenue and expenditures to the end of the current fiscal year. The bill requires the comptroller's May 2011 statement to show (1) the General Fund's position without taking into account any reduction in the economic recovery transfer, (2) that any FY 11 General Fund surplus projection the statement includes is made without taking such a reduction into account, and (3) the revised economic recovery transfer amount to be paid from ERRB proceeds after applying any estimated surplus.

COMMENT

Law Regarding DPUC Financing Order

By law, as a condition of the state issuing the ERRBs, the DPUC was required to issue a financing order. It issued the order on September 29, 2010. Among other things, the order required the 35% reduction in conservation charge beginning April 1, 2012.

The bill does not amend an existing law that (1) makes the financing order irrevocable; (2) bars the DPUC from rescinding, altering, or amending the order with regard to the amount of the economic recovery transfer; and (3) specifies that any financing order in respect to the ERRBs becomes effective on issuance (CGS § 16-245i). The relationship between existing law and the bill is unclear.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 49 Nay 0 (04/18/2011)